



## CITY OF LODI

## COUNCIL COMMUNICATION

**AGENDA TITLE:** Audit Services

**MEETING DATE:** August 17, 1994

**PREPARED BY:** Finance Director

**RECOMMENDATION:** By motion action, the City Council authorize the City Manager to enter into an agreement with KPMG Peat Marwick to audit the City's financial records for fiscal year 1993-94 ending June 30, 1993.

**BACKGROUND:** The agreement with KPMG Peat Marwick for audit services ended with the audit for fiscal year ending June 30, 1993. Accordingly, the City must enter into an agreement with Peat Marwick for the audit of its financial records for the fiscal year ending June 30, 1994.

Prior to the next audit, City staff will prepare a Request for Proposal for audit services and forward this request to all qualified firms for their proposal in accordance with the Single Audit Act. At this time the City Council will determine the audit firm to be employed by the City to conduct annual audits for the next five years.

**FUNDING:** Funding was approved in the 1994-95 Budget.

A handwritten signature in black ink, appearing to read "H.D. Flynn".

Harold D. Flynn  
Finance Director

APPROVED: \_\_\_\_\_

A handwritten signature in black ink, appearing to read "Thomas A. Peterson".

THOMAS A. PETERSON  
City Manager



recycled paper



400 Capitol Mall  
Sacramento, CA 95814

Telephone 916 448 4700

Telefax 916 554 1199

**RECEIVED**

**JUL 18 1994**

**Finance Dept.**

July 14, 1994

Mr. Dixon Flynn  
Finance Director  
City of Lodi  
221 W. Pine Street  
Lodi, California 95241-1910

Dear Dixon:

We are pleased to submit this engagement letter for the audit of the City of Lodi (the "City") for the year ended June 30, 1994. We will audit the Comprehensive Annual Financial Report of the City, perform a Single Audit, perform the investment agreed-upon procedures report, and complete the appropriation limit agreed-upon procedures report. This letter describes the scope of our audits, sets forth our agree-upon fees, and proposes a payment schedule for these fees.

KPMG Peat Marwick ("Peat Marwick") will conduct the audits in accordance with generally accepted auditing standards with the objective of expressing an opinion as to whether the presentation of the above-referenced financial statements, taken as a whole, conform with generally accepted accounting principles. In conducting the audits, we will perform tests of the accounting records and such other procedures as we consider necessary in the circumstances to provide a reasonable basis for our opinion on the financial statements. We will also assess the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The City agrees that all records, documentation, and information we request in connection with our audit will be made available to us, that all material information will be disclosed to us, and that we will have the full cooperation of the City's personnel. As required by generally accepted auditing standards, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of the internal control structure, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

It should be understood that management of the City has responsibility for the financial statements referred to above and all representations contained therein. Management of the City is also responsible for the adoption of sound accounting policies and the implementation of recordkeeping and an internal control structure to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of errors and irregularities that are material to the financial statements.

An audit is designed to obtain reasonable assurance about whether the financial statements are free of material misstatement. Even a material misstatement may remain undetected, however,



~~Peat Marwick~~

Mr. Dixon Flynn  
Finance Director  
City of Lodi  
July 14, 1994  
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by an audit performed in accordance with generally accepted auditing standards. The City releases and will indemnify and hold harmless Peat Marwick and its personnel from any claims, liabilities, costs, and expenses relating to our services under this letter, except to the extent determined to have resulted from the intentional or deliberate misconduct of Peat Marwick personnel. Also, our maximum liability to the City arising for any other reason relating to services rendered under this letter shall be limited to three times the amount of fees paid to us for these services.

While we are not engaged to report on the City's internal control structure, we will furnish to you any recommendations about the internal control structure that we note during the audit which appear to be of significance under the circumstances.

Based upon our discussion we agreed that our audit fee will be \$31,500 for June 30, 1994.

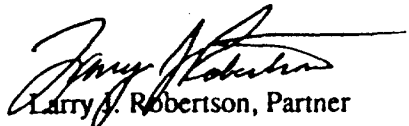
Our fees for special or nonrecurring services during the year will be billed based upon our billing rates for the professional involved. Circumstances encountered during the performance of the audit that warrant additional time or expense could cause us to be unable to complete the audit within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed. In the event Peat Marwick is requested to reproduce its working papers or allow review of such working papers by the State Controller's Office, the General Accounting Office or other parties, the City shall reimburse Peat Marwick at standard billing rates for its time and expenses. Peat Marwick will also be reimbursed at standard billing rates for time and expenses, including reasonable attorney's fees, in response to any subpoena or other legal process to which Peat Marwick is not a party to.

Peat Marwick will invoice you periodically for services performed and expenses incurred since the last invoice. All invoices shall be paid within 45 days after the date thereof. Any invoice not paid within the 45 days shall bear interest from its due date at the rate of 1.0 percent per month. In the event any invoice is not timely paid as set forth herein, then upon five days written notice to Dixon Flynn, Peat Marwick may terminate its performance hereunder and will not be responsible for any loss, costs, or expense thereby resulting.

We appreciate the opportunity to be of service to you. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

KPMG PEAT MARWICK



Larry A. Robertson, Partner

LJR:jah  
Enc. (2)

**Attest:** Pest Marwick

Mr. Dixon Flynn  
Finance Director  
City of Lodi  
July 14, 1994  
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**ACCEPTED:**

The services described in the foregoing letter are in accordance with our requirements and acceptable to us.

**The City of Lodi**

\_\_\_\_\_  
Signature and title Thomas A. Peterson, City Manager

\_\_\_\_\_  
Date

**ATTEST:**

\_\_\_\_\_  
Jennifer M. Perrin, City Clerk

RESOLUTION NO. 94-97

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A RESOLUTION OF THE LODI CITY COUNCIL  
AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENT  
WITH KPMG PEAT MARWICK TO PERFORM THE ANNUAL AUDIT  
FOR FISCAL YEAR 1993-94

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BE IT RESOLVED, that the Lodi City Council hereby approves entering into an agreement with KPMG Peat Marwick for the purpose of performing an annual audit of the City's financial records for fiscal year 1993-94; and

FURTHER RESOLVED, that the City Manager and City Clerk are hereby authorized to execute said Agreement on behalf of the City.

Dated: August 17, 1994

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I hereby certify that Resolution No. 94-97 was passed and adopted by the Lodi City Council in a regular meeting held August 17, 1994 by the following vote:

Ayes: Council Members - Pennino, Snider and Sieglock (Mayor)

Noes: Council Members - None

Absent: Council Members - Davenport and Mann

  
Jennifer M. Perrin  
City Clerk